

Billing Code 3410-05-W

DEPARTMENT OF AGRICULTURE

Farm Service Agency

7 CFR Part 735

Commodity Credit Corporation

7 CFR Part 1427

RIN 0560-AH48

Regulations for the United States Warehouse Act; Cotton Loans

AGENCY: Commodity Credit Corporation and Farm Service Agency, USDA

ACTION: Advance notice of proposed rulemaking.

SUMMARY: The Farm Service Agency (FSA) and the Commodity Credit Corporation (CCC) are soliciting comments and views on whether to revise the regulations at 7 CFR parts 735 and 1427 for the purpose of addressing the storage of upland cotton and its impact on loan eligibility.

DATES: Comments should be received on or before [INSERT DATE 60 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER] to be assured consideration.

ADDRESSES: CCC invites interested persons to submit comments on this proposed rule and on the collection of information. Comments may be submitted by any of the following methods:

- E-Mail: Send comments to [Gene.Rosera@USDA.gov](mailto:Gene.Rosera@USDA.gov)
- Fax: Submit comments by facsimile transmission to: (202)720-8481.
- Mail: Send comments to: Director, Price Support Division, Farm Service Agency, United States Department of Agriculture (USDA), Rm. 4095-S, 1400

Independence Avenue, SW., Washington, DC 20250-0512.

- Hand Delivery or Courier: Deliver comments to the above address.
- Federal Rulemaking Portal: Go to <http://www.regulations.gov>. Follow the online instructions for submitting comments.

All written comments will be available for public inspection at the above address during business hours from 8 a.m. to 5 p.m., Monday through Friday.

FOR FURTHER INFORMATION CONTACT: Gene Rosera; phone: (202)720-7901; email: [Gene.Rosera@usda.gov](mailto:Gene.Rosera@usda.gov); or fax: (202)690-3307.

#### SUPPLEMENTARY INFORMATION:

##### Background

Traditionally, CCC has required that baled loan cotton must be inside approved warehouses as a condition of eligibility for a marketing assistance loan. When the 2004 and 2005 crops of upland cotton exceeded warehouse capacity in some southern-plains areas, CCC established requirements under which warehouses could request approval of short-term outside storage. For both years, approvals were granted under the provisions of 7 CFR 1427.1087.

Because some localized shortages of inside storage appear likely for coming crops, CCC is reviewing whether its storage requirements for loan cotton should be revised. CCC is considering whether it should strictly enforce the traditional inside-storage requirement or establish new provisions for exempting warehouses from one or more storage requirements. Under traditional storage requirements, cotton for which inside storage is not available might not be eligible as collateral within the loan

availability period, thus losing any possible storage credit and loan gain as provided under recent short-term storage exemptions.

#### Issues for Public Comment

CCC does not have any statutory authority to regulate the storage of non-loan cotton. With respect to amending and revising current regulations regarding the storage of loan cotton, CCC is soliciting comments regarding the need and suitability of the following regulatory issues, and views regarding how any suggested changes might be implemented.

1. What should CCC storage requirements be with respect to upland loan cotton?
2. Should CCC strictly require that all upland loan cotton be stored inside approved cotton warehouses without granting exemptions for any period under any circumstances, and if so, why?
3. Under the Extra Long Staple (ELS) farm-stored loan program provided for by 7 CFR 1427.10(e) loan bales are identified to CCC by bale number, and any bale represented by an electronic warehouse receipt (EWR) is ineligible. Loans are provided based on the national average loan rate and any settlements are based on classification information established after the cotton is delivered into an approved warehouse. Such loans are provided in limited counties, and only at facilities with specialized equipment to package, store and handle the bales. Should CCC establish farm-stored loans for upland cotton, as currently available for ELS cotton, and if so, what would be appropriate loan eligibility requirements, storage and handling requirements, loan rates, settlement policies, and locational considerations for such a loan program? Conversely, should the ELS farm-stored loan provisions be eliminated to provide parity between programs?

4. Should upland loan cotton stored outside be provided the same dollar of storage credit as provided to inside-stored loan cotton, a portion of the credit, or no storage credit at all, and why?

5. Should CCC formalize a process for allowing approved cotton warehouses to request CCC approval for short-term use of outside yard storage for upland loan cotton? If so, what, if any, circumstances must be established by the applicant for CCC to favorably consider such requests, and why? Additionally, should CCC establish cutoff-dates for any approved outdoor storage periods, and if so, what dates are recommended for different production areas?

6. If CCC allows outside storage of loan cotton during periods when inside-storage is unavailable, should CCC provide public notice in advance of approving any request for use of short-term outside storage for upland cotton so that interested parties may identify reasonable and economical alternative storage locations before any exemption is granted?

7. Should USDA require that all cotton EWR's accommodate a trailer record indicating whether the bale has ever been stored outside, and if so, what information should be specifically required to be included on trailer record? If EWR trailer records were to contain information about any outside-storage, who should have access to such information, and how should access be provided? Note that changes to the EWR and/or disclosure of such information may require amendments to 7 CFR part 735 or the Electronic Provider Agreements for cotton, or both.

8. As a condition of loan eligibility, should loan applicants be required to agree that CCC may disclose such storage information to potential cotton buyers?

9. If CCC provides a loan for upland cotton identified on the EWR as stored outside, should the loan rate be provided at the national average loan rate? Additionally, should the loan settlement for any upland loan cotton, that is stored outside and subsequently forfeited to CCC, be based on classification information provided by the producer after the cotton has been delivered to CCC inside an approved cotton storage warehouse? If so, should the additional costs of providing this classification information be paid by the producer or by CCC, and why?

10. Non-loan upland cotton stored outside at warehouses is not subject to CCC storage requirements. Are there any storage and handling practices commonly used by warehouses for outside storage that protect the cotton and all interested parties and that could be adopted for outside stored upland loan cotton, such as double bagging? If so, are there geographic, marketing, or other constraints to such practices?

11. Are there circumstances under which CCC should increase or decrease the weekly minimum shipping standard of 4.5 percent? If so, explain how CCC might administer any different standard. Is there a need for CCC to strengthen enforcement of the current standard, and if so, by what methods? Should CCC rules be changed to reflect 4.5 percent of total stocks rather than approved capacity?

12. In the past, CCC has at times re-concentrated loan cotton only for the purpose of protecting the interest of the producer or CCC. Merchants having options to purchase loan cotton may benefit from re-concentrating loan cotton for marketing efficiencies. Should CCC allow producers, or agents of producers, to request re-concentration of loan cotton for any reason? If so, would the producer/producer's agent be willing to pay for

the charges associated with such re-concentration? Should they be required to pay such charges in all instances? Define circumstances, if any, when CCC should pay re-concentration charges.

Signed at Washington, D.C. \_\_\_\_\_.

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Acting Administrator, Farm Service Agency, and  
Acting Executive Vice President,  
Commodity Credit Corporation